



HOUSE BUDGET COMMITTEE

Democratic Caucus

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Republican Study Committee Budget Sacrifices National Priorities to Cut Taxes

Overview

The Republican Study Committee (RSC) proposed an alternative to the House Republican 2006 budget last month that is notable for deeper spending cuts than those contained in the Republican budget resolution (H. Con. Res. 95) ultimately approved by the House. The RSC budget, offered as an amendment in the nature of a substitute during floor consideration of the 2006 House budget resolution, calls for \$125 billion in cuts to mandatory spending programs over five years (2006-2010), nearly twice the level of cuts assumed in the House-passed budget.

In addition to the steep cuts to mandatory programs, the RSC budget reduces funding for appropriated non-defense, non-homeland security programs for 2006 by \$17.1 billion below the amount necessary to maintain services at the 2005 level. The RSC funding level is \$5.1 billion below the already-inadequate level in the House-passed Republican budget.

The RSC budget includes \$106 billion in tax cuts over five years, the same level of tax cuts as in the House-passed budget. However, the RSC budget protects all of these tax cuts through the expedited procedure known as reconciliation, which is immune from filibuster in the Senate and therefore can pass with a simple majority vote. The House-passed budget protects only \$45 billion of the total tax cuts through reconciliation.

The RSC budget recognizes that tax cuts have a price. The significant spending cuts in the RSC budget are an acknowledgment that tax cuts must be paid for one way or another. However, the RSC budget also includes certain budget process enforcement rules that stack the deck against responsible budgeting.

The RSC budget amendment lost by a vote of 102 to 320.

RSC Budget Cuts \$125 Billion from Mandatory Programs

The Republican Study Committee budget resolution includes reconciliation instructions calling on 13 committees to cut mandatory spending by a total of \$125.3 billion over five years. This is \$56.7 billion more than the \$68.6 billion of mandatory cuts included in the House-passed Republican budget. The RSC claims its spending cuts represent elimination of “waste, fraud, and abuse,” but cracking down, for example, on improper government payments is unlikely to be sufficient to achieve spending cuts of this magnitude. To meet the spending targets in the RSC budget resolution, authorizing committees would face the need to cut services or restrict eligibility for benefits. Republicans have controlled the Congress for ten years and the White House for four years. Republicans have yet to identify or propose specific legislation related to waste and fraud that could achieve the magnitude of spending reductions required by the RSC budget.

Reconciliation Instructions in the RSC and House-Passed Budgets			
(outlays in billions of dollars)			
	RSC Budget		House-Passed Budget
	<u>2006</u>	<u>2006-2010</u>	<u>2006-2010</u>
Agriculture	-0.893	-5.959	-5.278
Education and Workforce	-2.128	-21.803	-21.410
Energy and Commerce	-1.419	-30.725	-20.002
Financial Services	-0.030	-0.270	-0.270
Government Reform	-0.268	-3.164	0
House Administration	-0.057	-2.673	0
International Relations	-0.045	-0.504	0
Judiciary	-0.144	-0.826	-0.603
Resources	-0.114	-1.598	-1.413
Science	-0.303	-3.864	0
Transportation and Infrastructure	-0.065	-0.690	-0.103
Veterans' Affairs	-0.155	-0.798	-0.798
Ways and Means	-6.534	-52.391	-18.680
TOTAL	-12.155	-125.265	-68.557

Republicans Have Failed To Meet Past Waste, Fraud, and Abuse Targets — The original 2004 Republican budget approved by the House Budget Committee included reconciliation instructions calling for \$470 billion in mandatory spending cuts over ten years. That amount got reduced to \$265 billion on the House floor. The conference agreement on the budget abandoned the reconciliation instructions and instead required House and Senate authorizing committees to submit legislative recommendations to the Budget Committees to reduce mandatory spending by

\$132 billion over ten years, by eliminating waste, fraud, and abuse. The Congressional Budget Office (CBO) analyzed the House committees' submissions and could identify only \$34 billion in mandatory savings. Some of these proposed savings have already become law. The remaining identified savings include proposals, such as oil and gas leasing in the Arctic National Wildlife Refuge, that fall in the realm of policy choice rather than reducing waste, fraud and abuse.

RSC Budget Cuts Health Care by More than \$30 Billion — The RSC budget requires \$30.7 billion in cuts from the Energy and Commerce Committee over five years. Medicare and Medicaid account for nearly all mandatory spending under this committee's jurisdiction. The RSC intends to exempt "earned entitlement programs" from these cuts, but the committee is not explicitly prohibited from cutting Medicare to meet the spending target. If Medicare were exempted, Medicaid would bear the brunt of the cuts, because Medicaid accounts for 94 percent of the remaining mandatory spending under this committee's jurisdiction. Cutting Medicaid would jeopardize health care for nearly 50 million children, parents, seniors, and disabled individuals who rely on the program for their health care.

RSC Budget Cuts Income Security for Vulnerable Children and Families by \$52 Billion — The RSC budget requires the Ways and Means Committee to cut spending by \$52.4 billion over five years. Excluding Social Security and Medicare (the RSC budget purports to exempt earned entitlements from cuts), almost all remaining Ways and Means programs provide income security for individuals and families facing hardships, such as unemployed workers, low-income elderly and disabled persons, and the working poor and their children. To achieve \$52 billion worth of spending cuts would require measures such as reducing cash assistance and work supports for the country's poorest families. Cutting work supports, such as child care assistance and transportation subsidies, could have the counterproductive result of making it more difficult — or impossible — for many low-income parents to get and keep a job. Other steps available to the committee would include raising taxes on 19 million families receiving the Earned Income Tax Credit, or cutting Supplemental Security Income payments (which are already below the poverty line in most states) to almost 7 million low-income elderly and disabled Americans.

RSC Budget Cuts Farm Programs and Food Stamps — The RSC budget requires the Agriculture Committee to reduce spending by \$893 million in 2006 and by \$6.0 billion over five years. The major mandatory spending programs in the Committee's jurisdiction include conservation programs, commodity programs, and food stamps.

RSC Budget Cuts Benefits for Veterans — The RSC budget, like the House-passed Republican budget, requires the Veterans' Affairs Committee to cut \$798 million from veterans' programs over five years. The instructions provide no specific direction on which programs to cut, but the choices are limited, and the reduction can be achieved in one of only two ways: 1) reducing veterans' benefits, such as disability compensation; or 2) imposing new fees, such as health care enrollment fees and higher drug co-payments.

RSC Budget Cuts Appropriated Funding for Non-Security Programs

The RSC budget for 2006 lumps all mandatory and discretionary spending together in one budget function, except for defense and homeland security, which are displayed separately. The RSC states that its budget matches the President's defense and homeland security funding, but cuts all other discretionary funding by two percent below the 2005 enacted level, for a total that is \$5.1 billion below the 2006 funding in the House-passed budget resolution. This results in deep cuts to programs outside of defense and homeland security.

The President's budget and the House budget already cut appropriations for 2006 for these non-defense, non-homeland security programs by \$2.5 billion below the 2005 enacted level, and by \$12.1 billion below the amount needed to maintain services at current levels. The RSC budget cuts deeper, slashing 2006 funding for non-security services by \$17.1 billion below the amount needed to maintain purchasing power. And because the RSC budget cuts this funding for 2006, and then freezes it at that level for the next four years, programs fall further behind inflation each year. By 2010, the RSC budget provides \$55.0 billion (12.9 percent) less than needed to maintain current services for all non-defense, non-homeland security programs.

The cuts in the RSC budget for 2006 are almost three times as deep those in the President's budget, which already cut vital support for education, veterans' health, environmental protection, public health, and for working families and communities.

RSC Budget Includes Lopsided Budget Enforcement Rules

The RSC budget creates a budget enforcement system that is designed to cut spending, but not necessarily to cut deficits. The RSC system does this by creating strict rules governing spending, but sets no rules whatsoever governing tax cuts. The likely result of the RSC system could be an endless cycle of deficit-financed tax cuts, followed by cuts to federal programs in the name of reducing the deficit, which would then be used as justification for further cuts in taxes.

Highlights of the RSC budget enforcement provisions are as follows:

- ***Enforceable Point of Order for Violating Budget Spending Allocations*** — The RSC budget creates a point of order (which can be overridden by a majority vote) designed to prevent the Rules Committee from waiving the usual points of order against legislation that either: 1) violates committee spending allocations in the budget resolution, or 2) provides new budget authority for a given year before a budget resolution for that year is in place. Under current law, it is also out of order for the House to consider legislation that reduces revenues in a given year before a budget resolution for that year is in place, but the RSC provision explicitly protects the Rules Committee's ability to waive this

point of order for tax-cut legislation.

- ***Dynamic Scoring of Revenue Legislation*** — The RSC plan instructs the Joint Committee on Taxation to use “realistic scoring” which would take into account positive economic effects of tax cuts when determining their cost. However, the Congressional Budget Office, the Joint Committee on Taxation, and other non-partisan analysts have produced work showing that the secondary economic effects of tax cuts are ambiguous.
- ***Revenue Increases Cannot Be Used to Comply With Budget Allocations*** — The RSC plan prohibits committees from using increases in revenues or offsetting collections to comply with the budget resolution allocations and aggregate totals.
- ***Pay-As-You-Go Requirement for Spending But Not Taxes*** — The RSC plan requires that any legislation affecting mandatory spending must not increase the on-budget deficit (or reduce an on-budget surplus) over the five years covered by the budget resolution, and over the following five years as well. Legislation violating this requirement would be subject to a point of order that could be overridden by a three-fifths vote of the House. The RSC provision exempts Social Security legislation from this requirement. The RSC budget does not require tax-cut legislation to meet any kind of test of fiscal responsibility.
- ***Cuts in Mandatory Spending Directed Toward Deficit Reduction or Tax Cuts*** — Under the RSC plan, when the House approves legislation that would result in a net reduction in mandatory spending, the applicable committee spending allocation is reduced by an equivalent amount. This provision would penalize committees for finding budget savings, because they would lose the flexibility to use those savings later in the year to pay for other program improvements in their jurisdiction. The RSC plan also provides that mandatory spending cuts approved by the House can be credited toward further tax cuts by reducing the revenue totals in the budget resolution. The RSC plan sets forth a similar process with respect to House-approved amendments to appropriations bills that reduce discretionary funding.